

July 27, 2010

Randy Sekany
President
San Jose Fire Fighters, IAFF, Local 230
425 E. Santa Clara Street, Suite 300
San Jose, CA 95113

Re: Local 230's Proposal

Dear Randy:

This letter is to follow up on our email exchange (enclosed) regarding Local 230's proposal dated July 19th, which you transmitted via email on July 21st. Local 230 indicated that this new proposal provides more economic relief than Local 230's previous proposals. After reviewing the proposal, we asked you on July 21, 2010, to please clarify how this proposal provided more economic relief than Local 230's previous proposal dated June 21st.

In your response dated July 25th, you indicated that Local 230 would commence pre-funding retiree healthcare benefits on the last day of the agreement, which would be June 30, 2011. We understand that by further delaying the pre-funding of retiree healthcare benefits, the City (nor the firefighters) would not have to pay the increased pre-funding for Fiscal Year 2010-2011 and that Local 230 is proposing that the City use the money designated to fund retiree healthcare benefits to preserve jobs.

Funding of Retiree Healthcare Benefits

As you know, eligible retirees receive lifetime healthcare benefits in which the plan pays for 100% of the premium for both single and family coverage. The City and employees pay 50% of the cost of the retiree medical benefits through payroll deductions during an employee's career. However, the City and employees have not been putting in sufficient money to fund these benefits. For example, in 2006 when the City and the retirement boards began studying this issue, the retiree healthcare benefits in the Police and Fire plan were only **5% funded** and the unfunded retiree healthcare liability for all employees was estimated to be over **\$1.5 billion**.

In order to ensure that there are sufficient funds to pay these benefits, the City began negotiating a transition to fully pre-funding retiree healthcare benefits. Beginning in 2009, the City along with employees represented by every bargaining unit except for Local 230 have been increasing their contributions to fund retiree healthcare benefits. The first increase in the retiree healthcare contributions occurred in July 2009 and the second increase occurred in July 2010.

Since employees represented by Local 230 are the only City employees who have not begun the transition to full pre-funding of retiree healthcare benefits, we do not believe there should be any further delays. Further delays actually increase the costs of funding these benefits for both the City and employees. It is a priority that the City and employees put in sufficient funds to pay for these benefits, particularly in light of the fact that the City has been advised that retiree healthcare benefits are legally "vested" for all current employees and retirees.

Savings from Local 230's Proposal June 21st and July 21st Proposals

We have compared Local 230's June 21st proposal and Local 230's July 21st proposals. Aside from delaying beginning the transition to full pre-funding of retiree healthcare benefits, the two proposals result in approximately the same amount of savings.¹ Based on our review, the savings generated from Local 230's June 21st and July 21st proposals is approximately \$4.2 million, most of which is only for Fiscal Year 2010-2011. This equates to approximately 3.5% of total compensation.

No Layoff Guarantee In Local 230's July 21st Proposal

During our meeting with Local 230 on July 13, 2010, we discussed the importance to the City to preserve jobs and services that the Fire Department provides to the community. Also as we discussed, the City Council has already adopted a budget for this fiscal year which resolved a \$118.5 million shortfall and unfortunately necessitated the reduction in services in every City department, including the Fire Department. We also discussed that your June 21st proposal would be very far short of generating enough savings to avoid layoffs, and we asked that Local 230 consider significantly increasing the amount of concessions.

Local 230's July 21st proposal added a no layoff provision for Fiscal Year 2010-2011, which was not included in Local 230's June 21st proposal. It was our hope that we could have reached an agreement with Local 230 that would avoid layoffs. However, in order to provide you with a no layoff guarantee, we would need to ensure that the savings generated from Local 230's proposal would be enough to avoid layoffs. In order to provide a no layoff provision in Local 230's contract, we would need approximately an additional **\$6 million** in concessions. Even if the City were to decide to use money that has been designated for retiree healthcare to fund positions for this fiscal year, Local 230's proposal would still be millions short.

Although the City Council adopted the 2010-2011 budget in June, including the reductions in the Fire Department, we continued our discussions with Local 230 in July in order to see if it was still possible to reach an agreement that would avoid layoffs. As you know, we indicated on multiple occasions that we would need to reach an agreement by July 19th so that it could be placed on the August 3rd Council Agenda for approval. Unfortunately, we have not reached an agreement with Local 230.

As you know, the City and Local 230 are now scheduled to proceed to binding interest arbitration in November. We would like to schedule a meeting with Local 230 to discuss the next steps.

Sincerely,



Alex Gurza
Director of Employee Relations

Enclosure

¹ We did note in your proposal that the uniform pay reduction is intended to offset the delay in implementation of the health care cost sharing. However, the uniform allowance is not sufficient to offset the difference. Thus, the proposal received on July 21st generates less savings than the June 21st proposal.

c: Jeff Welch, Local 230 Vice President
Juan Diaz, Local 230 Representative
Soren Coats, Local 230 Representative
Chris Platten, Local 230 Legal Counsel
Teresa Reed, Acting Fire Chief
Aracely Rodriguez, City Negotiating Team Member
Marcus Hermanson, City Negotiating Team Member

From: Randy Sekany [mailto:president@sjff.org]
Sent: Sunday, July 25, 2010 12:05 PM
To: Gurza, Alex
Cc: Rodriguez, Aracely; Hermanson, Marcus; Reed, Teresa; Juan Diaz; Soren Coats; Chris Platten; Jeffrey Welch
Subject: Re: L230 proposal 7-21-10

Hello Alex,

To answer your question regarding how L230's replacement proposal will provide more economic relief to the City versus previous proposals please note, this proposal provides for the parties to commence retiree health care funding payments (GASB), on the last day of the agreement. L230 made this amendment from its previous offer based on the statements you made at our July 13 negotiations session. Your statements made it clear that the City is seeking an agreement that makes revenue available to maintain jobs and services.

As you know the GASB funding is not statutorily required to commence at any time, thusly L230 has proposed to defer the commencement of the payments. This is in fact what the state of California, by order of the Governor, recently did for the same reason, make cash available to maintain jobs and services. L230 believes this proposal will save the city hundreds of thousands of dollars, if not over a million dollars, this fiscal year that can be used to save fire department jobs and services.

Thanks,

Randy,

Randy Sekany, President
San Jose Fire Fighters IAFF Local 230
4th District Vice President
California Professional Firefighters--

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On 7/21/10 3:50 PM, "Alex Gurza" <alex.gurza@sanjoseca.gov> wrote:

Hello Randy—

I received your email below and the attached proposal. Your email indicates that the proposal provides "more economic relief" to the City than Local 230's previous proposals. We have reviewed the proposal, but have not been able to determine how this proposal generates more savings to the City compared to Local 230's proposal dated June 21, 2010. Can you please tell us how this proposal provides additional cost savings to the City compared to Local 230's proposal dated June 21, 2010?

We also noticed that your proposal is dated July 19, 2010; however, we received it via the email below sent today, July 21st.

I also wanted to mention that I started receiving media inquiries about this proposal soon after I received it. (We have not yet posted it on our internet site.)

Thanks,
Alex

Alex Gurza

Director of Employee Relations
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🌐: Intranet: www.csj.gov/oer <<http://www.csj.gov/oer>>

From: Randy Sekany [<mailto:president@siff.org>]

Sent: Wednesday, July 21, 2010 12:34 PM

To: Gurza, Alex

Cc: Jeffrey Welch; Juan Diaz; Soren Coats; Chris Platten

Subject: L230 proposal 7-21-10

Hello Alex

Please find attached a settlement proposal from L230. This proposal replaces all previous proposals. This proposal provides more economic relief to the city than previous proposals. It is L230's hope that you will recommend this proposal to the Mayor and City Council. Because of timing issues we will forward the proposal to the Mayor and City Council for

their review. If you have any questions please feel free to contact me.

Thank you,

Randy

Randy Sekany, President
San Jose Fire Fighters IAFF Local 230
4th District Vice President
California Professional Firefighters--

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